No. 056-P
March 14, 1994

PRESS ADVISORY

Secretary of Defense William J. Perry will speak at a symposium sponsored by Draper Laboratories at 9 a.m., Tuesday, March 15, 1994. The topic of the symposium will be "Guidance, Navigation and Control in Russia." The event will take place in the Hill Building, room 1409, 555 Technology Square, Cambridge, MA.

Media interested in covering this event may contact Kathleen Granchelli at (617) 258-2605.

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SECRETARY OF DEFENSE WILLIAM J. PERRY
REMARKS AT SYMPOSIUM ON "GUIDANCE, NAVIGATION AND CONTROL IN RUSSIA"
SPONSORED BY DRAPER LABORATORIES, AS REPORTED IN THE PRESS
CAMBRIDGE, MA
MARCH 15, 1994

BOSTON GLOBE March 16, 1994 Pg. 47

Perry outlines Russian aid

Military plants to be converted

By Aaron Zitner
GLOBE STAFF

As it grants money to US companies for defense conversion, the federal government will soon offer a more modest program to help Russian military contractors convert to peacetime businesses, US Defense Secretary William J. Perry said yesterday in Cambridge.

Perry told a symposium of American and Russian scientists at the Charles Stark Draper Laboratory that the United States would encourage American businesses to share some technology with former members of the Soviet Union. At the same time, the United States will invest in its own weapons research as a "hedge" against the chance those nations become unfriendly again.

"It is a false dichotomy to say Russia is either a partner or a rival. Russia can be both a partner and a rival," Perry told the scientists at the opening of a two-day meeting to discuss joint projects on navigation and missile guidance.

As a rival of the former Soviets, Perry said, the United States will keep the research and development portion of the defense budget above the levels of the late 1970s, a time when many of the advanced weapons of the Gulf War-era were born.

But as a partner, he said, the United States plans to spend $20 million this year on defense conversion in Russia.

The conversion program was created but not funded under President Bush, Perry said. He compared it to a Clinton administration program that has given $605 million so far in matching grants to US companies for defense conversion and to develop technology that has both military and commercial uses.

Perry said he planned to meet with foreign officials to iron out details of the program during a week-long tour of several former Soviet nations, which begins today.

Under one program, Perry said, US companies will be invited to submit plans to help four Russian defense plants make prefabricated housing. US companies will get a contract and overseas contacts, while the Russians will get know-how and housing for retired officers. The United States will benefit from greater economic and political stability in Russia.

Perry called it "a win-win-win-win project, if it works."

Under a second program, US companies will be invited to develop a commercial product in Russia with one of 85 Russian defense firms. The United States will give sponsors of the winning proposals $3 million to $4 million apiece for start-up costs.

Perry said the United States has a vital interest in encouraging Russia to convert to a market economy with strong democratic institutions, but a 70 percent falloff in Russian military procurement has helped destabilize the economy. "Large amounts of investment from private industry will be necessary," as the US conversion grants are far less than needed, he said.

"We cannot control the outcome of the changes under way in Russia today," Perry said. "Only the Russian people can do that. But we can influence it through constructive engagement."

AVIATION WEEK
& SPACE TECHNOLOGY March 28, 1994 Pg. 62

PERRY OUTLINES PLANS TO AID RUSSIAN DEFENSE CONVERSION

CAMBRIDGE, MASS.

The U.S. government is finally realizing its goal of helping several former Soviet republics convert their defense industries to commercial businesses by funding several pilot projects to encourage the transition.

U.S. Defense Secretary William J. Perry outlined these plans before a group of senior Russian and American officials involved in missile, spacecraft and aircraft guidance work. They were gathered earlier this month at the Charles Stark Draper Laboratory to explore the possibility of commercially oriented joint ventures.

Both Russian and American participants felt the meeting was a milestone in that their efforts on guidance systems for military aircraft and missiles had kept them apart during the Cold War.

Perry, who once served as an advisor at Draper, said the U.S. government plans to provide seed money under the Nunn/Lugar act for defense conversion projects in Russia. This will start with $20 million to create a prefabricated housing industry by tapping the expertise of four American companies.

IN ANOTHER PROJECT, the U.S. government will spend $20 million to provide $2-3 million grants to American companies for starting up commercial ventures with four Russian defense contractors. The Russian participants, including the NPO Mashinostroyeniye space system design organization, GosNIIAS avionics research center and Istok Electronics Plant of Moscow, already have been chosen. Also selected was the Leninets Assn., which is involved in airborne radar work in St. Petersburg. The Defense Nuclear Agency conducted a preproposal bid conference on these four projects last week.

"The purpose of the U.S. government is to establish the program, invite the different companies to come together and then provide the seed capital to help get the project started," Perry said. He noted that the project is like the U.S. Advanced Research Projects Agency's Technology Reinvestment Project.

Many of the Russian organizations are dealing with chaotic situations

Formation of joint ventures was also a key topic at the third meeting of a U.S.-Russian commission on defense conversion and diversification which Perry attended in Russia after his talk at Draper.

The Defense secretary said earlier that 85 additional Russian defense firms already have been selected as possible joint venture candidates. Another U.S. official said most have submitted two ideas for other projects. The U.S. plan is to follow up the selection of the effort on the first four Russian conversion projects with a larger number. A prebid conference will probably be held this summer on this second round of projects. Perry said total funding will vary from year to year, and that there will be a comparable program in Ukraine and possibly in Kazakhstan and Belarus. In fact Perry signed a $40-million agreement to assist the Ukrainian government's defense conversion efforts during his visit there.

Perry noted that Russian President Boris N. Yeltsin has said defense orders have been cut there by 70%. This compares to a 60% cut in U.S. Defense Dept. procurement since the peak in 1986. But the Russian contractors have a bigger challenge in defense conversion because they do not have a market economy.

Dr. Paul Dow, a retired Draper senior vice president who chaired the joint venture symposium, said the meeting provided a chance for Americans and Russians in the guidance, navigation and control area to become better acquainted. It will take time for commercial projects to develop from the meeting.

Draper officials are interested in becoming a partner in Russian defense industry diversification into commercial projects. Employment at Draper, which depends heavily on military contracts, has dropped 40% in recent years.

THE RUSSIAN ORGANIZATIONS participating included NPO Energia, the Automation & Instrument Research Engineering Assn. (NPO AP); the Institute for Problems in Mechanics; Electropribor; Ramenskoye Design Bureau, and TsNIIMASH.

Many of the Russian organizations are dealing with chaotic situations. Officials from Ramenskoye, which has been making aviation instruments for nearly 50 years, considered themselves lucky to have retained half of their workforce at production plants and just 15% of their design staff. Ramenskoye has been aggressive in seeking out contracts to keep the organization going.

Many American aerospace officials noted that communicating with Russian partners is difficult and messages are often misunderstood. Legal agreements often must be executed in both English and Russian and are difficult to draw up.

Several American officials at the conference said they rely on electronic mail to reach their Russian partners because phone and fax contacts are not yet as reliable as those in the U.S.

One example of misunderstandings cited by an American firm involved an informal meeting with a Russian design organization that the Americans thought had ended inconclusively. But that is not how the Russians saw it. When the Americans returned for a second meeting, they discovered their counterparts had launched the project and were nearly ready for a formal design review.

The banking system also poses problems, despite efforts at modernization. One American executive said a payment sent by way of a Russian bank got lost there, or at least that is what the bank officials claimed. Another American executive said his company's joint venture is required to convert some of its currency to rubles periodically. Due to high inflation, the joint venture tries to spend this money quickly.

Visits to Russian concerns that involve "kicking the tires" but lead to no meaningful business relationship are a source of great frustration for the Russians. After several of these visits during which the guests ask many questions, a Russian company is generally less interested in disclosing much of anything. A number of executives and U.S. government officials cited the negative impact of such visits on the image of American companies.

Some of the joint ventures outlined at the meeting include:

■ Lockheed with 22 activities underway involving eight of its business units working in 10 of the newly independent states. The biggest project is the Lockheed-Krunichev-Energia International (LKEI) joint venture. Others are exploratory in nature. Lockheed has found ultralight aluminum alloys that might provide 15% weight savings in aircraft construction and high-strength titanium alloys that might save another 10%.

■ Astronautics Corp. of America and Kearfott Guidance and Navigation Corp., which just formed a joint venture with Electroautomatica in St. Petersburg.

In addition to designing and later building avionics, the joint venture may also serve as a partner for other western aerospace companies wanting to do business in Russia. Avionics work is already underway for Tupolev and Bravia.

■ United Technologies' Norden Systems unit, which has formed a joint venture called Norden St. Petersburg with the Scientific Research Institute for Radio Equipment (AUSRIRE). The partners are targeting landing and navigation aid contracts at the kind of remote airfields that might be used by major oil companies. The effort is expected to lead to manufacturing in Russia.

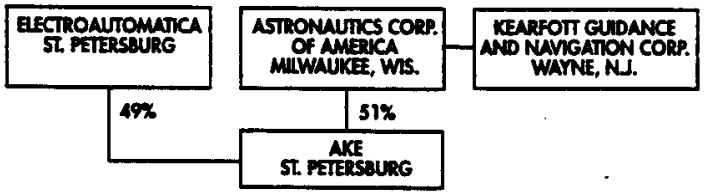
■ Delco Electronics, a GM Hughes Electronics subsidiary, which has retained Russian scientists for theoretical analysis work under several small contracts. Delco had developed novel hemispherical resonator gyro technology which it recently perfected as a product for satellites (*AW&ST* Sept. 30, 1991, p. 48). Having discovered several years ago that the Russians were pursuing similar work, Delco hired the scientists recently to perform additional analysis.

Russian strengths in mathematical theory also were cited by a number of American executives as a source of added value on cooperative efforts.

■ AlliedSignal's Air Transport Avionics Div., which has formed a joint venture called American Russian Integrated Avionics (ARIA) with the National Institute of Airborne Avionics Equipment at Zhukovsky (*AW&ST* July 19, 1993, p. 37). This effort involves the design and production of a fully integrated suite of avionics for use on small transport aircraft. ■

JOINT VENTURE AKE FORMED IN NOV., 1993, IN ST. PETERSBURG, RUSSIA

PARTNERSHIP OF ASTRONAUTICS CORP. OF AMERICA, KEARFOTT GUIDANCE AND NAVIGATION CORP., AND STATE-OWNED DESIGN BUREAU ELECTROAUTOMATICA



EFIM LIPIN, MANAGING DIRECTOR
DANIEL WADE, ASTRONAUTICS LIAISON

NOTE: WESTERN DESIGN AND ELECTRONICS, RUSSIAN ENGINEERING. AKE IS DESIGNING & PRODUCING AVIONICS SYSTEMS FOR RUSSIAN AND FORMER EAST BLOC COMMERCIAL TRANSPORTS, HELICOPTERS AND SPACE VEHICLES